

# Exhibit C

## APPENDIX A

### Digital Exploitation Term Sheet

1. Definitions and Scope of Digital Exploitation Term Sheet.

This Term Sheet shall set forth the specific terms agreed to by the parties regarding the digital exploitation of (A) phonograph records (as defined herein) through Downloads or Non-Permanent Downloads and (B) Traditional Music Videos (as defined herein) through Downloads, Non-Permanent Downloads or Video Streams (each of the foregoing, a “Covered Exploitation”). For the avoidance of doubt, nothing herein shall be construed as covering (C) the commercial digital exploitation of Audio Streams, (D) the promotional digital exploitation of any phonograph records or Traditional Music Videos or (E) transmissions that are subject to the compulsory statutory license established by 17 U.S.C. Section 114.

- a. The term “phonograph record” is defined in the Sound Recording Labor Agreement (“SRLA”) and the Sound Recording Special Payments Fund Agreement (“SRSPF Agreement”). For the purposes of this Term Sheet, a “phonograph record” shall include a digital file containing one (1) or more tracks or songs produced by a signatory record company pursuant to the SRLA as set forth in 1(c) below. In incorporating the terms embodied in this Term Sheet into the SRLA, the parties shall determine whether the definition of “phonograph record” should be altered, and if so, how it should be altered, in order accurately to integrate the terms and understandings set forth in this Term Sheet into those documents.
- b. For purposes of this Term Sheet, the term “master record” shall be any matrix, “mother,” stamper or other device from which another such master record, phonograph record, wire or tape recording, or other device reproducing sound, is produced, reproduced, pressed or otherwise processed” pursuant to the terms of the SRLA and the SRSPF Agreement.
- c. The definitions in (d)-(f) below refer to products, or exploitations of products, that are, or that contain audio elements that are produced from master records containing music which was performed or conducted by musicians covered by, or required to be paid pursuant to, the SLRA.
- d. The term “Traditional Music Video” shall be defined as an audio visual product that includes an audio element produced from a master record, and a visual element of the type or genre traditionally aired on television for promotional purposes, e.g., MTV, VH1, BET, CMT, etc.

- e. The term “Permanent Audio Download” shall be defined as a phonograph record which is sold via digital transmission in the U.S. and abroad in a manner which provides a permanent copy. The term “Permanent Video Download” shall be defined as a Traditional Music Video which is sold via digital transmission in the U.S. and abroad in a manner which provides a permanent copy. “Permanent Audio Downloads” and “Permanent Video Downloads” are collectively referred to as “Downloads.” For clarification, “Downloads” shall include master ringtones.
- f. The term “Non-Permanent Download” shall be defined as a phonograph record or a Traditional Music Video which is sold via digital transmission in the U.S. and abroad on a temporary, tethered, conditional or “timed out” basis.
- g. The term “Audio Stream” shall be defined as a phonograph record which is sold via digital transmission in the U.S. and abroad using streaming technology and leaving no residual copy on the receiving device.
- h. The term “Video Stream” shall be defined as a Traditional Music Video which is sold via digital transmission in the U.S. and abroad using streaming technology and leaving no residual copy on the receiving device.
- i. For clarification, “digital transmissions” shall include digital transmissions via the internet, digital cable or similar networks, e.g., the delivery of ringtones or traditional music videos to mobile phones. The parties have agreed upon a side letter, set forth in Appendix D, with respect to issues arising under satellite radio and other new technologies (if any).
- j. The term “Wholesale Price” shall be defined as the per unit wholesale price (without deductions) actually received by the Company from a digital service provider in connection with a Covered Exploitation. In circumstances where there is no per unit wholesale price, “Wholesale Price” shall be defined as the monies actually received by the Company from a digital service provider that are attributable to such Covered Exploitation. By way of illustration, the parties acknowledge that percentage of gross service revenue payments, percentage of advertising revenue payments, per-subscriber payments and per-use payments will generally be within the types of revenues that would be included within the calculation of “wholesale price.” The parties further acknowledge that content origination fees, digitization fees and advances not offset by actual digital transmissions are not generally within the types of revenues that would be included within the calculation of wholesale price.
- k. This Term Sheet shall cover terms for Downloads, Non-Permanent Downloads and Video Streams and shall not cover terms for Audio Streams. Audio Streams that are subject to the compulsory license created

by 17 U.S.C. Section 114 will be governed by the provisions of Section 114. Audio Streams that are made pursuant to interactive or other non-statutory licenses granted by the Company pursuant to Section 114, are covered by the 1994 MOA.

- l. Ringbacks shall be covered by, and payments shall be made pursuant to, either this agreement or the 1994 MOA (as may be amended).
  - m. The parties have reached agreement on the terms that govern the digital exploitation of Covered Concert DVDs. Those terms are set forth in the MOU and will be incorporated into the SRLA and the SRSPF Agreement.
2. Payment Terms – Permanent Audio Downloads
- a. Rate: Effective February 1, 2006, pay .55% of the Wholesale Price on Permanent Audio Downloads produced on or after February 1, 2006, after applying applicable exclusions. The contribution rate shall remain .5% for Permanent Audio Downloads produced prior to February 1, 2006, after applying applicable exclusions.
  - b. Exclusion: There shall be a 10,000 unit exclusion for Permanent Audio Downloads of singles. The exclusion for Permanent Audio Downloads of albums shall be modified to be included within the 25,000 exclusion applicable to physical product sales.
  - c. Ten Year Limitation: Payments for Permanent Audio Downloads shall commence with the calendar year during which the phonograph record is first released for sale in any form (or where the release is digital only, with no physical product, from the date of the first release) and terminating at the end of the tenth calendar year thereafter. The year of such release shall be counted as the first year of the ten years.
3. Payment Terms – Non-Permanent Audio Downloads
- a. Rate: Effective February 1, 2006, pay .55% of the Wholesale Price on Non-Permanent Audio Downloads produced on or after February 1, 2006. The contribution rate shall remain .5% for Non-Permanent Audio Downloads produced prior to February 1, 2006. In no event shall the Company be obligated to make any payments on Non-Permanent Downloads that have already been paid under the terms of the 1994 Memorandum of Agreement.
  - b. Exclusion: There shall be no exclusions for Non-Permanent Audio Downloads.
  - c. Limitation: The limitation, if any, on the period during which payments shall be owed on Non-Permanent Audio Downloads shall be subject to

negotiations between the parties in the context of the negotiations for a successor agreement to the 1994 Memorandum of Agreement.

- d. Recipient Fund: The fund to which such payments shall be made shall be subject to negotiations between the parties in the context of the negotiations for a successor agreement to the 1994 Memorandum of Agreement. For the avoidance of doubt, nothing in this Term Sheet governs the method of distribution of the payments made pursuant to this Paragraph 3.

4. Payment Terms – Traditional Music Videos

- a. Rate: Effective February 1, 2006, for the first ten (10) years defined in Section IV.C. below, pay .55% of the Wholesale Price on Permanent Video Downloads, Non-Permanent Downloads of Traditional Music Videos or Video Streams (subject to applicable exclusions for Permanent Video Downloads). For the following five (5) year period defined in Section 4.C below, pay .3% of the Wholesale Price on Permanent Video Downloads, Non-Permanent Downloads of Traditional Music Videos or Video Streams (subject to applicable exclusions for Permanent Video Downloads).
- b. Exclusions: There shall be a 10,000 unit exclusion on Permanent Video Downloads. There shall be no exclusions on Non-Permanent Downloads of Traditional Music Videos or Video Streams.
- c. Fifteen Year Limitation: The payments provided for under this Section 4 shall be made with respect to Permanent Video Downloads, Non-Permanent Downloads of Traditional Music Videos and Video Streams which take place during the period commencing with the calendar year during which the record in which the Traditional Music Video is first released for exploitation in any form and terminating at the end of the fifteenth calendar year thereafter. The year of such release shall be counted as the first year of the fifteen (15) years. For purposes of calculating the 15 year period for exploitations of Traditional Music Videos produced prior to February 1, 2006, the first year shall be 2006.

5. Recipient Fund and Distribution Method

- a. All payments required to be made under Paragraphs 2 and 4 above shall be made to the SPF.
- b. The payments made pursuant to Paragraph 4 shall be distributed to the musicians whose performance is embodied in the audio element contained in the Traditional Music Video.
- c. There shall be no Music Performance Fund contribution on the exploitations covered in this Term Sheet.